

**Brookings County Housing and Redevelopment
Commission
Brookings, South Dakota
(A Component Unit of Brookings County, South Dakota)**

Independent Auditor's Report
Basic Financial Statements
& Supplementary Information

December 31, 2015 and 2014



PTI CPA Services, LLC

People Trust Integrity

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Brookings County Housing and Redevelopment Commission
Brookings, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the Brookings County Housing and Redevelopment Commission (or "Commission"), a component unit of Brookings County, South Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Brookings County Housing and Redevelopment Commission, a component unit of Brookings County, South Dakota, as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the financial statements present only the Commission and do not purport to, and do not present fairly the financial position of Brookings County, South Dakota, as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Financial Data Schedules are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development, and are not a required part of the basic financial statements. The accompanying Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission is presented for purposes of additional analysis and is not a required part of basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Revenues, Expenses, and Changes in Net Position of all Housing Choice Vouchers Programs Administered by the Brookings County Housing and Redevelopment Commission, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

DTI CPA Services, LLC

Redmond, Washington
August 30, 2016

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION
Brookings, South Dakota
Management's Discussion and Analysis
December 31, 2015

Management's Discussion and Analysis (MD&A) is a reporting model adopted by the Governmental Accounting Standards Board (GASB) in their statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

Our discussion and analysis of the Brookings County Housing and Redevelopment Commission (herein referred to as "the Housing Authority"), Brookings, South Dakota, financial performance provides an overview of the Housing Authority's financial activities for the fiscal year ended December 31, 2015. Please read the MD&A in conjunction with the Housing Authority's financial statements.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Financial Highlights

Total assets of the Housing Authority for the year ended December 31, 2015 were \$215,431. Total liabilities were \$104,761. Total assets exceeded totaled liabilities by \$110,670 (net position).

Unrestricted net position totals \$104,361. This is the amount of the Authority's reserve.

Total operating and non-operating revenue for the year ended December 31, 2015, was \$1,362,127 and expenses totaled \$1,367,426. Expenses exceeded revenue by \$5,299.

Overview of the Financial Statements

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as program level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Changes in Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION

Brookings, South Dakota

Management's Discussion and Analysis

December 31, 2015

(Continued)

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on December 31, 2015. The Statement of Changes in Net Position summarizes the revenues and sources of those revenues, and expenses incurred in operating the Housing Authority for the year ended December 31, 2015.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with Department of Housing and Urban Development (HUD). HUD provides Housing Assistance Payment (HAP) to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Moderate Rehab Program – Provides assistance to families living in units that were developed by individual owners for low income families and housing assistance provided by the Housing Authority.

Statement of Net Position

For the year ended December 31	2015	2014
Current assets and prepaid expense	\$213,569	\$201,735
Capital assets, net	<u>\$1,862</u>	<u>\$2,714</u>
Total assets	\$215,431	\$204,449
Current liabilities	<u>\$104,761</u>	<u>\$88,881</u>
Total liabilities	\$104,761	\$88,881
Net Position		
Invested in capital assets, net of related debt	\$1,862	\$2,714
Restricted	\$4,446	\$4,446
Unrestricted	\$104,361	\$108,409
Total net position	<u>\$110,670</u>	<u>\$115,569</u>
Total Liabilities and Net Position	<u>\$215,431</u>	<u>\$204,450</u>

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION

Brookings, South Dakota

Management's Discussion and Analysis

December 31, 2015

(Continued)

Comparative Statement of Revenues, Expenses and Changes in Net Position

For the year ended December 31	2015	2014	Change
Program Revenue			
Other income	\$4,043	\$7,269	(\$3,274)
Federal grants and subsidies	\$1,358,010	\$1,235,871	\$122,139
Interest income	\$74	\$160	(\$86)
Total revenue	<u>\$1,362,127</u>	<u>\$1,243,300</u>	\$118,827
Program Expenses			
Administration	\$137,085	\$98,354	\$38,731
Tenant Services	\$37,508	\$37,187	\$321
General expenses	\$7,237	\$8,163	(\$926)
Depreciation	\$852	\$706	\$146
HAP and FSS	\$1,184,745	\$1,121,796	\$62,949
Total expenses	<u>\$1,367,426</u>	<u>\$1,266,206</u>	\$101,220
Change in Net Position	(\$5,299)	(\$22,906)	\$17,289
Beginning Net Position	\$115,969	\$138,475	(\$22,588)
Ending Net Position	<u>\$110,670</u>	<u>\$115,569</u>	(\$4,899)

Federal grants totaled \$1,358,010.

Capital Assets

**Capital Assets at Year-end
(Net of Accumulated Depreciation)**

FOR THE YEAR ENDED December 31	2015	2014	change
Furniture, Equipment & Machinery - Admin	\$19,896	\$19,896	\$0
Subtotal	<u>\$19,896</u>	<u>\$19,896</u>	\$0
Accumulated Depreciation	<u>(\$18,034)</u>	<u>(\$17,182)</u>	(\$852)
Total Capital Assets	<u>\$1,862</u>	<u>\$2,714</u>	(\$852)

Long Term Debt

The Housing Authority has no long-term debt.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the federal budget for the current year (and future years).

BROOKINGS COUNTY HOUSING AND REDEVELOPMENT COMMISSION

Brookings, South Dakota

Management's Discussion and Analysis

December 31, 2015

(Continued)

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Arlo Smith, Contracting Officer, at Brookings County Section Housing & Redevelopment Commission, Po Box 432, Brookings, South Dakota 57006 -- (605) 692-1670

BASIC FINANCIAL STATEMENTS

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Statement of Net Position
December 31, 2015 and 2014

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

	December 31,	
	2015	2014
ASSETS		
Current:		
Unrestricted cash:		
Checking	\$ 34,819	\$ 69,764
Savings and CDs	72,247	46,961
Restricted cash:		
Savings - Excess HAP	4,446	4,446
Savings - FSS escrow	42,916	41,775
Savings - FSS mortgage maintenance reserve	35,365	34,592
Accounts receivable:		
Tenant receivables and other	4,596	4,116
Grant receivables	19,126	-
Prepays	54	81
Total current assets	<u>213,569</u>	<u>201,735</u>
Noncurrent:		
Capital assets, net of accumulated depreciation	<u>1,862</u>	<u>2,714</u>
Total noncurrent assets	<u>1,862</u>	<u>2,714</u>
Total assets	<u>215,431</u>	<u>204,449</u>
LIABILITIES		
Current:		
Accounts payable	19,041	-
Accounts payable - HUD	-	7,007
Family self - sufficiency (FSS):		
Escrow	42,916	41,775
Expense	7,439	5,506
FSS mortgage maintenance reserve	35,365	34,592
Total liabilities	<u>104,761</u>	<u>88,880</u>
NET POSITION		
Net investment in capital assets	1,862	2,714
Restricted - Excess HAP	4,446	4,446
Unrestricted, post - 2003 earnings	84,596	108,425
Unrestricted, pre - 2004 earnings	19,765	(16)
Total net position	<u>\$ 110,669</u>	<u>\$ 115,569</u>

The notes to the financial statements are an integral part of this statement.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended December 31, 2015 and 2014

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

	December 31,	
	2015	2014
Operating Revenues		
Fraud recovery	\$ 1,062	\$ 2,670
FSS program-absorption	2,981	4,599
Total operating revenue	<u>4,043</u>	<u>7,269</u>
Operating Expenses		
Housing assistance payments	1,140,656	1,084,501
Family self-sufficiency payments	44,089	37,295
Administrative	137,085	98,354
Tenant services	37,508	37,187
General expenses	7,237	8,163
Depreciation expense	852	706
Total operating expenses	<u>1,367,427</u>	<u>1,266,206</u>
Operating profit (loss)	(1,363,384)	(1,258,937)
Nonoperating Revenues (Expenses)		
HUD operating grants:		
HAP and operations	1,177,350	1,096,093
Administration fees	143,152	102,591
FSS program	37,508	37,187
Interest earned-HUD (restricted)	49	138
Interest earned-PHA	25	22
Total nonoperating revenues	<u>1,358,084</u>	<u>1,236,031</u>
Change in net position	(5,300)	(22,906)
Net position, beginning , as previously stated	115,569	138,556
Prior year adjustments	400	(81)
Net position - beginning, as restated	<u>115,969</u>	<u>138,475</u>
Net position, end of year	<u>\$ 110,669</u>	<u>\$ 115,569</u>

The notes to the financial statements are an integral part of this statement.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

	December 31,	
	2015	2014
Cash Flows From Operating Activities		
Cash received from customers	\$ (22,733)	\$ 8,133
Cash paid to landlord (HAP)	(1,184,745)	(1,136,474)
Cash paid to FSS	(37,508)	(37,295)
Cash paid to suppliers	(121,243)	(143,704)
Net cash provided (used) by operating activities	<u>(1,366,229)</u>	<u>(1,309,340)</u>
Cash Flows From Noncapital Financing Activities		
Grant receipts	<u>1,358,010</u>	<u>1,235,871</u>
Net cash provided (used) by noncapital financing activities	<u>1,358,010</u>	<u>1,235,871</u>
Cash flows from capital and related financing activities:		
Purchase of fixed assets	<u>-</u>	<u>(1,460)</u>
Net cash flows provided (used) by related financing activities	<u>-</u>	<u>(1,460)</u>
Cash Flows From Investing Activities		
Interest income	<u>74</u>	<u>160</u>
Net cash provided (used) by investing activities	<u>74</u>	<u>160</u>
Prior period adjustments	400	(81)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,745)	(74,850)
Cash and Cash Equivalents, beginning of year	<u>197,538</u>	<u>272,388</u>
Cash and Cash Equivalents, end of year	<u>\$ 189,793</u>	<u>\$ 197,538</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ <u>(1,363,384)</u>	\$ <u>(1,258,937)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	852	706
(Increase) decrease in accounts receivable	(26,776)	864
(Increase) decrease in prepaid items	27	2,132
Increase (decrease) in accounts payable	19,204	(54,182)
Increase (decrease) in other liabilities	3,848	77
Total adjustments	<u>(2,845)</u>	<u>(50,403)</u>
Net cash used in operating activities	<u>\$ (1,366,229)</u>	<u>\$ (1,309,340)</u>

The notes to the financial statements are an integral part of this statement.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Brookings County Housing and Redevelopment Commission (or the "Commission"), a component unit of Brookings County, South Dakota, was organized in 2001 pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low income public housing pursuant to the United States Housing Act of 1937, (42 U.S.C., 1401, et seq.). The Brookings County Commission appoints the five directors of the governing board for five-year staggered terms. The Commission elects its own chairperson and recruits and employs its management personnel and workers. The Brookings County Commission has the ability to veto or otherwise modify the Commission's decision to construct a specific project and issue debt.

The financial statements present only the operations of the Commission and are not intended to present the financial position of Brookings County taken as a whole.

The Commission has Joint Powers Agreements to administer, through agency funds, the same low income public housing programs for Deuel, Hamlin, Kingsbury, and Moody Counties Housing and Redevelopment Commissions.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The activities of the Commission are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are fraud recoveries and FSS program absorptions. Operating expenses include the cost of tenant services, maintenance, protective services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Commission include the accounts of all Commission operations for which the Board of Commissioners had significant oversight responsibility.

The financial statements are presented in a comparative form for the years ended December 31, 2015 and 2014.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers cash on hand, cash on deposit with financial institutions, and all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

2. *Prepaid Items*

Payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as prepaid items. This account primarily consists of prepaid insurance.

3. *Accounts Receivable*

Accounts receivable include normal business receivables and tenant receivables. An allowance for doubtful accounts has not been utilized.

4. *Capital Assets*

Capital assets are stated at cost. Maintenance and repair costs are charged to expense as incurred. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Assets	Capitalization Threshold	Years
Furniture, equipment, and machinery	\$500	5

5. *Net Position Categories*

Generally accepted accounting principles for state and local governments require that resources be classified for accounting and reporting purposes into the following three net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – The restricted component of net position consists of restricted assets, other than capital assets. This includes Excess HAP payments. Restricted assets whose use by the Commission is subject to externally imposed stipulations that can be fulfilled by actions of the Commission pursuant to those stipulations or they expire by the passage of time.

Unrestricted – These are assets that are not subject to externally imposed stipulations. Unrestricted assets may be designated for specific purposes by action of management or the Commission Board or may otherwise be limited by contractual agreements with outside parties.

Should any net position assets become subject to an externally imposed stipulation, it is the Commission's policy to utilize those restricted assets first, within the guidelines of the restriction, and then utilize unrestricted assets.

6. *Comparative Data and Reclassifications*

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations of these funds. Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

II. Stewardship, Compliance and Accountability

1. Income Taxes

The Commission is a government entity and pays no Federal income tax.

2. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Budgets

The Commission has no legal requirements for an organization-wide budget. Under internally adopted policies, budgets are adopted based on amounts allocated to specific line items for federal grants and contracts. Certain restrictions may apply to each of these budget line items, but the primary budgetary control is total expenditures by grant or contract. Since a formal annual budget has not been legally adopted, a presentation of budgetary comparison information is not required.

III. Detailed Notes on All Accounts

A. Cash and Cash Equivalents

The Commission had bank deposits at four financial institutions as of December 31, 2015 and 2014. The Commission's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of the bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond from a corporation authorized to do business in South Dakota. The following table shows the bank balances and carrying amounts as of December 31, 2015 and 2014:

		December 31, 2015		December 31, 2014	
		Bank	Carrying	Bank	Carrying
		Balance	Amount	Balance	Amount
Bank deposits	\$	<u>191,368</u>	\$ <u>189,793</u>	\$ <u>211,129</u>	\$ <u>197,538</u>

Custodial Credit Risk – Deposits

Custodial credit risk for bank deposits is the risk that, in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a formal custodial credit risk policy. As of December 31, 2015 and 2014, the Commission's balances were not exposed to custodial credit risk because the total bank balance of \$191,368 and \$211,129 were covered by the Federal Deposit Insurance Corporation (FDIC).

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

Cash is restricted for 2015 as follows:

Amount	Reasons for the restrictions
\$ 4,446	Held for excess HUD voucher grants from previous years reduced by current year HAP payments to landlords. This was implemented by HUD to reduce reserve funds at housing authorities across the nation.
42,916	Held for the Family Self-Sufficiency (FSS) Escrow Program including its homeownership clients.
35,365	Held in a maintenance reserve for FSS home ownership clients that are using the Housing Voucher program to help purchase a home.
<u>\$ 82,727</u>	Totals

Cash is restricted for 2014 as follows:

Amount	Reasons for the restrictions
\$ 4,446	Held for excess HUD voucher grants from previous years reduced by current year HAP payments to landlords. This was implemented by HUD to reduce reserve funds at housing authorities across the nation.
41,775	Held for the Family Self-Sufficiency (FSS) Escrow Program including its homeownership clients.
34,592	Held in a maintenance reserve for FSS home ownership clients that are using the Housing Voucher program to help purchase a home.
<u>\$ 80,813</u>	Totals

B. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2015 and 2014:

	Balance at 12/31/2015	Balance at 12/31/2014
Tenant receivables	\$ 1,122	\$ 1,438
A/R RAM expenses	3,090	2,273
Other	384	405
Total receivables	<u>\$ 4,596</u>	<u>\$ 4,116</u>

C. Capital Assets

A summary of changes in fixed assets for the year ended December 31, 2015 is as follows:

	Balance at 12/31/2014	Additions	Deletions	Balance at 12/31/2015
Capital Assets Being Depreciated				
Furniture, equipment, and machinery	\$ 19,896	\$ -	\$ -	\$ 19,896
Total capital assets being depreciated	<u>19,896</u>	<u>-</u>	<u>-</u>	<u>19,896</u>
Less: Accumulated depreciation	(17,182)	(852)	-	(18,034)
Net capital assets	<u>\$ 2,714</u>	<u>\$ (852)</u>	<u>\$ -</u>	<u>\$ 1,862</u>

Depreciation expense for the year ended December 31, 2015 was \$852.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Notes to the Financial Statements
December 31, 2015 and 2014

A summary of changes in fixed assets for the year ended December 31, 2014 is as follows:

	Balance at 12/31/2013	Additions	Deletions	Balance at 12/31/2014
<u>Capital Assets Being Depreciated</u>				
Furniture, equipment, and machinery	\$ 19,896	\$ 1,460	\$ -	\$ 19,896
Total capital assets being depreciated	19,896	1,460	-	19,896
Less: Accumulated depreciation	(17,182)	(706)	-	(17,182)
Net capital assets	<u>\$ 2,714</u>	<u>\$ 754</u>	<u>\$ -</u>	<u>\$ 2,714</u>

Depreciation expense for the year ended December 31, 2014 was \$706.

D. Operating Lease

The Commission leased office space for the 2015 and 2014 fiscal years, for a minimum yearly lease payment of \$6,488 and \$6,121, respectively.

IV. Other Information

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Commission carries commercial insurance and is currently insured for these risks.

B. Contingent Liabilities

The Commission receives financial assistance from one federal governmental agency in the form of grants and contracts. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements or contracts and are subject to audit. Certain expenditures incurred by the Commission in connection with federal grants may be questioned and subject to possible disallowance by federal grantor agencies. The amount of any additional questioned costs that might have to be reimbursed to the grantors cannot be determined presently and no provision for any liability that might result has been made in the basic financial statements, as management believes that such amounts, if any, are not material to the basic financial statements.

C. Economic Dependence

The Commission receives a significant amount of its revenue from an U.S. Federal Government Agency. The U.S. Congress has control over the Secretarial Departmental Budgets. If the amount of revenues received from the U.S. Government falls below critical levels, the Commission's reserves would be adversely affected and jeopardize many of the services currently being provided.

SUPPLEMENTARY INFORMATION

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Combining Schedule of Revenues, Expenses, and Changes in Net Position
of All Housing Choice Vouchers Programs
Administrated by the Brookings County Housing and Redevelopment Commission
For the Year Ended December 31, 2015

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

	Brookings County	Deuel County	Hamlin County	Kingsbury County	Moody County	Totals
Operating Revenues						
Fraud recovery	\$ 1,062	\$ -	\$ -	\$ -	\$ -	\$ 1,062
FSS program-absorption	2,981	-	-	-	-	2,981
Total operating revenue	<u>4,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,043</u>
Operating Expenses						
Housing assistance payments	1,047,004	2,106	39,618	31,209	20,719	1,140,656
Family self-sufficiency payments	44,089	-	-	-	-	44,089
Administrative	137,085	-	-	-	-	137,085
Tenant services	37,508	-	-	-	-	37,508
General expenses	7,237	-	-	-	-	7,237
Depreciation expense	852	-	-	-	-	852
Total operating expenses	<u>1,273,775</u>	<u>2,106</u>	<u>39,618</u>	<u>31,209</u>	<u>20,719</u>	<u>1,367,427</u>
Operating profit (loss)	(1,269,732)	(2,106)	(39,618)	(31,209)	(20,719)	(1,363,384)
Nonoperating Revenues (Expenses)						
HUD operating grants:						
HAP and operations	1,083,698	2,106	39,618	31,209	20,719	1,177,350
Administration fees	143,152	-	-	-	-	143,152
FSS program	37,508	-	-	-	-	37,508
Interest earned - HUD (restricted)	49	-	-	-	-	49
Interest earned - PHA	25	-	-	-	-	25
Total nonoperating revenues	<u>1,264,432</u>	<u>2,106</u>	<u>39,618</u>	<u>31,209</u>	<u>20,719</u>	<u>1,358,084</u>
Change in net position	(5,300)	-	-	-	-	(5,300)
Net position, beginning , as previously stated	115,569	-	-	-	-	115,569
Prior year adjustments	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>400</u>
Net position - beginning, as restated	115,969	-	-	-	-	115,969
Net position - ending	<u>\$ 110,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,669</u>

The notes to the financial statements are an integral part of this statement.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
December 31, 2015

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

Financial Data Schedule (FDS)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

				Financial Data Schedule	
				Housing	Section 8
				Choice	MOD
				Vouchers	Rehab.
				CFDA #	CFDA #
				14.871	14.856
				12/31/2015	12/31/2015
ASSETS					
Current assets:					
111 Cash - unrestricted	\$ 34,819	\$ -	\$ 34,819	\$ -	
113 Cash - other restricted	78,281	-	78,281	-	
122 Accts Rec - HUD Other Projects	19,126	-	26,296	(7,170)	
125 Accts Rec - miscellaneous	3,090	-	3,090	-	
126 Accounts Receivable-Tenants	1,122	-	1,122	-	
129 Accrued Interest Receivable	9	-	9	-	
131 Investments-Unrestricted	76,693	-	76,693	-	
142 Prepaid expenses and other assets	429	-	429	-	
144 Interprogram due from	-	(22,209)	-	22,209	
150 Total current assets	<u>213,569</u>	<u>(22,209)</u>	<u>220,739</u>	<u>15,039</u>	
Noncurrent assets:					
164 Furniture, equipment - administration	19,896	-	19,896	-	
166 Accumulated depreciation	(18,034)	-	(18,034)	-	
160 Total non-current assets	<u>1,862</u>	<u>-</u>	<u>1,862</u>	<u>-</u>	
190 Total assets	<u>\$ 215,431</u>	<u>\$ (22,209)</u>	<u>\$ 222,601</u>	<u>\$ 15,039</u>	
LIABILITIES					
Current liabilities:					
312 Accounts payable	\$ 19,041	\$ -	\$ 19,041	\$ -	
345 Other current liabilities (FSS)	7,440	-	7,440	-	
347 Interprogram due to	-	(22,209)	22,209	-	
353 Non-current Liabilities-Other	78,281	-	78,281	-	
300 Total liabilities	<u>104,762</u>	<u>(22,209)</u>	<u>126,971</u>	<u>-</u>	
NET POSITION					
508 Net invested in capital assets	1,862	-	1,862	-	
511 Restricted (excess HAP)	4,446	-	4,446	-	
512 Unrestricted	104,361	-	89,322	15,039	
513 Total net position	<u>110,669</u>	<u>-</u>	<u>95,630</u>	<u>15,039</u>	
Total liabilities and net position	<u>\$ 215,431</u>	<u>\$ (22,209)</u>	<u>\$ 222,601</u>	<u>\$ 15,039</u>	

The notes to the financial statements are an integral part of this statement.

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
December 31, 2015

Project Number: Vouchers - SD056VO
Project Number: Moderate Rehabilitation - SD056MR
PHA Code: SD056

Financial Data Schedule (FDS) (Continued)
For the One Year Ending December 31, 2015
Required by the Department of Housing and Urban Development (HUD)

		Financial Data Schedule				
Line		Per audited		Housing Choice	Self-	Section 8 MOD
Item#		schedule on		Vouchers CFDA	Sufficient.	Rehab. CFDA #
		page 9		# 14.871	CFDA #	14.856
		12/31/2015	Reclass	12/31/2015	12/31/2015	12/31/2015
	Operating Revenues					
70600	HUD PHA operating grants	\$ -	\$ (1,358,010)	\$ 1,287,874	\$ 37,508	\$ 32,628
71100	Investment incom - unrestricted	-	(74)	52	-	22
71400	Fraud recovery - HUD	1,062	-	1,062	-	-
71500	Other revenue - FSS absorption	2,981	-	2,981	-	-
	Total operating revenue	4,043	(1,358,084)	1,291,969	37,508	32,650
	Operating Expenses					
	Expenses - administrative:					
91200	Auditing fee	3,500	-	2,922	-	578
91300	Management fee	-	-	-	-	-
91600	Office expenses	22,662	-	21,822	-	840
91900	Other	110,923		107,296	-	3,627
	Expenses - tenant services:					
92100	Salaries	37,508	-	-	37,508	-
	Expenses - general:					
96120	Insurance premiums - liability	2,077	-	2,001	-	76
96140	Insurance premiums - other	120	-	120	-	-
96200	Other general expenses	5,040	-	5,040	-	-
	Housing Assistance payments:					
97300	Landlords	1,184,745	-	1,157,547	-	27,198
97400	Depreciation	852	-	852	-	-
	Total expenses	1,367,427	-	1,297,600	37,508	32,319
	Nonoperating Revenues (Expenses):					
70600-010	HUD housing asst pymts (HAP)	1,177,350	1,177,350	-	-	-
70600-020	Administrative fee earned	143,152	143,152	-	-	-
70600-031	FSS coordinator	37,508	37,508	-	-	-
71100-010	Investment income - HAP	49	49	-	-	-
71100-020	Investment income - admin	25	25	-	-	-
10100	Total Nonoperating Revenues (Expenses):	1,358,084	1,358,084	-	-	-
10000	Change in net position	(5,300)	-	(5,631)	-	331
	Net Position					
11030	Beginning	115,569	-	101,261	-	14,308
	Prior year adjustments	400	-	-	-	400
	Ending	\$ 110,669	\$ -	\$ 95,630	\$ -	\$ 15,039

The notes to the financial statements are an integral part of this statement.

AUDITOR'S SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Brookings County Housing and Redevelopment Commission
Brookings, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Brookings County Housing and Redevelopment Commission (or the "Commission"), a component unit of Brookings County, South Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on

compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

DTI CPA Services, LLC

Redmond, Washington
August 30, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

Board of Commissioners
Brookings County Housing and Redevelopment Commission
Brookings, South Dakota

Report on Compliance for Each Major Federal Program

We have audited the Brookings County Housing and Redevelopment Commission's (or the "Commission"), a component unit of Brookings County, South Dakota, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended December 31, 2015. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

DTI CPA Services, LLC

Redmond, Washington
August 30, 2016

**Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2015**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weakness (es)?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weakness (es)?	None Reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Program(s):

<u>CFDA Number(s):</u> 14.871	<u>Name of Federal Program or Cluster</u> U.S. Department of Housing & Urban Development Housing Choice Vouchers
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

**Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2015**

Section II – Financial Statement Findings

No financial statement findings to report.

**Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2015**

Section III – Federal Award Findings and Questioned Costs

No federal award findings to report.

AUDITEE'S SECTION

Brookings County Housing and Redevelopment Commission
(A Component Unit of Brookings County, South Dakota)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

<u>Federal Grantor/Pass-through Grantor/ Program Cluster or Cluster Title</u>	<u>CFDA Number</u>	<u>Award/Grant/ Program Number</u>	<u>Federal Cash Received</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>Direct programs:</u>				
Lower Income Housing Assistance Program				
Section 8-Moderate Rehabilitation	14.856	SD056	\$ 32,628	\$ 32,319
Family Self-Sufficiency Program	14.896	FR-6000-N-04	37,508	37,508
Housing Choice Vouchers	14.871	SD056	1,264,704	1,296,748
TOTAL FEDERAL CASH RECEIVED AND EXPENDITURES			\$ <u>1,334,840</u>	\$ <u>1,366,575</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Brookings County Housing and Redevelopment Commission under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Brookings County Housing and Redevelopment Commission, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Brookings County Housing and Redevelopment Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Expenditures generally are recorded when a liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Brookings County Housing and Redevelopment Commission has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The accompanying notes are an integral part of this schedule.